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SUBJECT: Secretary Locke's Participation in IP Forum Advances IPR
Agenda in South China

REF: A) GUANGZHOU 611, B) GUANGZHOU 320, C) BEIJING 1463, D) BEIJING
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for internet publication.

11. (SBU) Summary and comment: The participation of Commerce
Secretary Gary Locke and Ambassador Jon Huntsman in the Pearl River
Delta (PRD) Forum on Innovation and Intellectual Property (IP) on
October 27 focused local attention on a top-priority concern for the
U.S. government and business in south China. The high-level impact
of the Secretary's message was unprecedented for a region that is
said by many U.S. businesses to produce more than 80% of the world's
counterfeit and IP-infringing goods. The Secretary's frank
discussion of this difficult issue with Guangdong Province's top
leader, Party Secretary Wang Yang (ref A), and speech to Jinan
University students enrolled in the area's first
intellectual-property degree program, helped convince local
officials at all levels of the need to improve cooperation and make

concrete progress on this difficult issue. In addition, a diverse group of senior and working-level U.S. officials from Washington and Embassy Beijing also attended the forum and met with U.S. business representatives and local officials, helping reinforce the strong IPR message at every level.

12. (SBU) Comment continued: Maintaining the positive momentum created by the Secretary's high-profile visit will be critical to prevent local officials and manufacturers from reverting to "business as usual" and ignoring obvious IPR violations in the name of economic stability and growth. Planning for the IP Forum, including acrimonious disputes over press coverage of the Secretary's IP-related public events, the U.S. Chamber of Commerce's inability to reach an MOU with the Guangdong Intellectual Property Office, and determining participation from the central government's State Intellectual Property Office, starkly demonstrated the challenges of working with local and provincial authorities on these issues. Nevertheless, a follow-up meeting between leaders of the U.S. Patent and Trademark Office (USPTO) and the Guangdong Intellectual Property Office (IPO) was positive and productive, largely focusing on messages delivered at Party Secretary Wang Yang's meeting with Secretary Locke and Ambassador Huntsman. It will take time to determine the extent of new cooperation and IPR progress resulting from the visits and the IP Forum. However, sustained attention and follow-up visits from both senior and working-level U.S. officials will play a critical role in convincing south China IPR officials of the need to take difficult steps and improve local conditions. End summary and comment.

PRD Forum on Innovation and Intellectual Property

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13. (SBU) The Pearl River Delta Forum on Innovation and Intellectual Property (IP) was an unprecedented showcase of U.S. government and business commitment to promoting increased IP awareness and protection in the critical south China market. Secretary Locke delivered the keynote address to a packed ballroom of 400 conference participants and media, none of whom had previously witnessed such a high-level lineup of speakers focused on a problem that is seldom mentioned in local press or open fora. The day-long conference was jointly organized by the U.S. Chamber of Commerce and Guangdong Province Intellectual Property Office, and attended by representatives from the U.S. Department of Commerce, U.S. Embassy Beijing, U.S. Consulate Hong Kong, U.S. Patent and Trademark Office, U.S. Trade Representative's Office, U.S. Department of Justice, the Department of Homeland Security's Immigration and Customs Enforcement and the U.S. International Trade Commission. Executives from key U.S. companies affected by difficult south China IPR conditions also participated in the forum and a series of other events with the Secretary and Ambassador (septel).

14. (SBU) Guangdong government participation in the forum was distributed across a range of IP-related bureaus and agencies. It was apparent that local officials had not anticipated such strong interest from not only the U.S. community but also from 13 other Guangzhou-based Consuls Generals and a mix of international business and media representatives from throughout Asia and Europe. The message from each speaker was similar: IPR problems in Guangdong are no longer local, making half-hearted, stop-gap enforcement measures unsustainable. Working together, however, can yield progress that will help all parties and advance local economic development in ways that cannot be achieved without stronger IP protection. Local media coverage of the forum did not shy away from the often-taboo IPR topic. Using quotes and footage from Secretary Locke's remarks on IPR, many reports highlighted how strong IPR protection would bolster long-standing provincial economic policies that aim to upgrade from low-cost manufacturing to more high-tech development.

Party Secretary Creates Political Space for IPR Cooperation

15. (SBU) In a separate meeting with Secretary Locke and Ambassador Huntsman, Guangdong Party Secretary Wang Yang, the province's highest-ranking official and a member of China's Politburo,

acknowledged the challenge of improving IPR conditions in his province (ref A). The positive effect of his comments were immediately obvious as media coverage was more open than at past IP-related events. A meeting between Guangdong IPO Director General Tao Kaiyuan and USPTO Deputy Director Sharon Barner, the day after the conference, also appeared to benefit from the willingness of the

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Party Secretary to clearly engage U.S. visitors on the IP issue. Tao reiterated many of Party Secretary Wang's comments and emphasized the positive outlook for increased IPR cooperation between Guangdong and the United States. This is a welcome contrast to the Guangdong IPO's effort, three days before the event, to restrict media coverage of the forum to a limited number of government-controlled outlets.

We're Here to Help

16. (SBU) When more than a dozen U.S. government visitors came to Guangzhou at the same time, attended the Forum, met with IP rights holders and toured a major U.S. toy manufacturer -- local government and business leaders took note. The opportunity to see local conditions first-hand, share high-level USG perspectives from Beijing and Washington, and to personally hear about south China IPR concerns directly from rights holders were valuable benefits for participants on all sides. For their part, rights holders emphasized the need for increased education and public-awareness to change local acceptance of IP infringement to a culture of respect for IP and its protection. They also voiced continued concerns about weak local enforcement and non-deterrent penalties for south China-based infringers.

Jinan University School of Intellectual Property

17. (SBU) Even as rights holders at the IP Forum were calling for improved IPR education and awareness in south China, Secretary Locke was meeting with students and speaking on the topic at Jinan University, home of south China's first College of Intellectual Property. The Secretary's activities attracted broad attention to IPR concerns from students and the public alike, resulting in positive local media coverage and energizing students who are well-positioned to amplify the message of IPR protection.

South China IP Challenges Remain

18. (SBU) The visits of Secretary Locke, Ambassador Huntsman and a cross-cutting group of U.S. IPR officials did much to advance the IP agenda in south China, but much work still remains. Guangdong IPO continues to tout their success at registering more patents and trademarks than any other Chinese province rather than focusing on the quality of patents and the creation of an environment that fosters innovation in ways that meet commercial and public demand. Proliferation of local technical standards also threatens to balkanize high-tech industries and undercut recognized international standards as China attempts to flood technology markets with

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proprietary equipment and obtain a larger share of global licensing income. Rights holders report that enforcement remains spotty, with rampant local protectionism and non-deterrent penalties for infringers.

19. (SBU) Consulate Guangzhou will continue engaging with provincial and local officials responsible for IPR issues and assisting rights holders who face infringement problems in south China. The Consulate encourages more visitors from Beijing and Washington to help increase local awareness of U.S. policies and capacity building efforts. Continued funding for all forms of training, both in south China and elsewhere in Asia and the United States, will continue as important tools for combating the export of 80% of the world's infringing goods.

